

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois-American Water Company :
 :
Petition for Re-approval of Agreements with :
American Lake Water Company, an : **04-0594**
"Affiliated Interest" in accordance with the :
Order in Docket 02-0690 and Section 7-101. :

ORDER

By the Commission:

On September 30, 2004, Illinois-American Water Company ("IAWC" or "Petitioner") filed a verified Petition pursuant to Section 7-101 of the Public Utilities Act ("Act") (220 ILCS 5/1-101 *et seq.*), and the Order entered in Docket 02-0690, seeking consent to and re-approval of two wholesale water delivery agreements ("Delivery Agreements") with American Lake Water Company ("ALWC"). Petitioner states that ALWC is an affiliated interest of IAWC, as defined by 5/7-101(2)(ii) of the Act.

Pursuant to notice given in accordance with the law and the rules and regulations of the Commission, this matter was heard by a duly authorized Administrative Law Judge at the offices of the Commission in Chicago, Illinois. Appearances were entered by the Staff of the Commission ("Staff") and by counsel on behalf of Petitioner. No petitions for leave to intervene were filed.

Petitioner is a corporation that is duly organized and existing under the laws of the State of Illinois. Petitioner is engaged in the business of furnishing potable water service and/or sanitary sewer service to the public in portions of Alexander, Champaign, Cook, Douglas, DuPage, Grundy, Jersey, Kane, Kendall, LaSalle, Livingston, Logan, Madison, McHenry, Monroe, Peoria, St. Clair, Tazewell, Whiteside, and Will Counties, Illinois, as it is duly authorized to do, and is a public utility within the meaning of Section 3-105 of the Act. Petitioner is the result of the prior mergers of Alton Water Company, the Cairo Water Company, East St. Louis and Interurban Water Company, Pekin Water Works Company, Peoria Water Company, and Northern Illinois Water Corporation, as approved by the Commission in Dockets 81-0727, 84-0204, and 99-0418; the acquisition and merger of United Water Illinois, as approved by the Commission in Docket 99-0457; and the acquisition of Citizens Utilities Company of Illinois' ("CUCI") water and waste water assets, as approved by the Commission in Docket 00-0476.

ALWC is a corporation organized and existing under the laws of the State of Illinois. ALWC wholesales Lake Michigan water to IAWC. Petitioner states that IAWC

and ALWC are affiliates; both are subsidiaries of American Water Works Company, Inc. ("AW").

The Delivery Agreements are two of the assets acquired by IAWC from CUCI in the acquisition approved by the Commission in Docket 00-0476. The first is an Agreement for the Delivery of Water for the Homer Township District. The second is an Agreement for the Delivery of Water for the West Suburban & Santa Fe District, originally entered into between CUCI and Citizens Water Resources Company ("CWRC"). Under that agreement, CWRC delivered and sold on a wholesale basis Lake Michigan water to CUCI. Each of the Delivery Agreements has an initial term extending until April 30, 2037. After entering the Delivery Agreements, CWRC changed its name to Citizens Lake Water Company (CLWC").

At the time that IAWC acquired the water and wastewater assets of CUCI, AW acquired all of the stock of CLWC. Petitioner states that neither AW nor CLWC was a public utility and, therefore, such stock acquisition was not a "reorganization" under Section 7-204 of the Act, and did not require Commission approval. After its acquisition of the stock of CLWC, AW changed the name of CLWC to ALWC.

The Delivery Agreements had originally been approved, as affiliated agreements between CUCI and CLWC, in consolidated Dockets 96-0200 and 96-0240. In Docket 00-0476, the Commission approved IAWC's assumption of CUCI's position under the Delivery Agreements and the affiliated relationship created by such assumption and AW's acquisition and ownership of ALWC (f/k/a CLWC or CWRC). In its most recent general rate order, Docket 02-0690, IAWC was directed to re-file all of its affiliated interest agreements, which includes the Delivery Agreements.

Staff recommended that the Delivery Agreements be amended to require future Commission approval of any amendment or assignment by either party to another affiliate of IAWC. IAWC agreed to accept Staff's recommendation for purposes of this proceeding. IAWC prepared, had executed, and made of record a First Amendment to each Delivery Agreement that contained the revisions requested by the Staff. No contested issues remain in this Docket.

The Commission concludes that the Delivery Agreements as amended should be re-approved. Having considered the entire record herein and being fully advised in the premises, the Commission is of the opinion and finds that:

- (1) Illinois-American Water Company, is an Illinois corporation engaged in the provision of water and sewer service to the public in Illinois, and therefore is a public utility within the meaning of the Act;
- (2) Illinois-American Water Company, and American Lake Water Company are affiliated interests as defined in Section 7 -101(2) of the Act;
- (3) The Commission has jurisdiction over Illinois-American Water Company and of the subject matter of this proceeding;

- (4) The recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (5) Re-approval of, and consent to, the Delivery Agreements as amended by the First Amendments thereto, should be granted.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that consent to, and re-approval of, the Delivery Agreements between Illinois-American Water Company and American Lake Water Company, as amended by the First Amendments thereto, is hereby granted.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 19th day of October, 2005.

(SIGNED) MARTIN R. COHEN

Chairman